BRITISH COLUMBIA

# BC STATS

Service BC
Ministry of Labour & Citizens' Services

Infoline

Contact: bcstats.infoline@gov.bc.ca | Issue: 06-29 | July 21, 2006

- **Inflation rate rises 0.5 percentage points to 2.2% in June**
- **BC's crime rate declines 4.8% in 2005**
- **Wholesalers post 2.5% increase in May**

## Prices

- **British Columbia's year-over-year inflation rose 2.2% in June, on the heels of a similar increase in May (+2.3%).** The increasingly higher cost of energy (+10.8%) sustained its effect on the all-items Consumer Price Index (CPI). Excluding energy, prices for most goods and services rose at a relatively moderate 1.3%. The continued rise in energy and gasoline (+18.0%) prices helped drive transportation costs up 6.5%. The cost of food (+1.0%) was moderately higher in June as consumers paid more to eat at restaurants (+2.0%) and for food purchased from stores (+0.6%). The increased cost of shelter (+2.2%) had consumers digging deeper into their wallets as property taxes (+6.3%), home owners' insurance premiums (+4.7%), water (+9.1%) and fuel oil (+14.9%) were all more costly than in the same month last year. However, consumers did pay less for household furnishings (-2.2%) and equipment (-2.6%).

  In general, BC residents paid more for non-durable goods (+3.7%) and services (+2.4%), while prices for durable goods (-0.7%) decreased moderately. Students paid more for education services (+2.5%) and tuition fees (+2.9%). The cost of health & personal care (+2.3%) was also higher, although prices for clothing & footwear were slightly lower (-0.8%) than in June of 2005.

- **Canadian prices were up 2.5% in June, with energy (+11.5%) accounting for much of the increase.** Food (+1.9%), shelter (+3.7%) and transportation (+5.3%) costs were all inflationary factors. Among the provinces, the biggest overall price increase was seen in Alberta, where the Consumer Price Index was up 3.7% from a year earlier. Quebec's inflation rate (+2.1%) was the lowest.

  Compared to BC, the metropolitan areas of Vancouver (+2.2%) and Victoria (+1.9%) experienced average inflation rates in June.

  *Data Source: Statistics Canada*

## The Economy

- **Wholesale sales in the province continued to see-saw in May, rising 2.5% (*seasonally adjusted*), following a downturn (-2.0%) in the previous month.** Total Canadian sales rebounded (+0.9%) from the weaker April levels, with over half of the increase attributable to sales in the automotive sector. Although sales were down in Quebec (-0.3%), they rose in most other provinces, led by PEI (+9.3%) and Newfoundland & Labrador (+4.1%)–the only provinces where wholesale sales grew faster than in BC. *Data Source: Statistics Canada*

- **The number of new vehicles sold in BC inched up 0.3% (*seasonally adjusted*) in May.** Saskatchewan (+6.6%), PEI (+5.1%) and Alberta (+1.3%) were the only other provinces to record increased sales. Declines ranging from 0.9% in New Brunswick to 3.8% in Nova Scotia drove overall Canadian sales down slightly (-1.0%). Sales of both overseas (-0.1%) and North American-made (-1.0%) passenger vehicles were lower in May, but sales of trucks, vans & buses saw slightly more significant declines (-1.6%). *Data Source: Statistics Canada*

## Film and Theatre

- **Film production in the province is catching up to Ontario and Quebec, with Canadian producers headquartered in BC earning $268 million in 2004, up 29.4% from 2001.** Production revenues in Canada slipped (-10.6%) from $1.7 billion to $1.5 billion between 2001 and 2004, with declines ranging from 67.2% in Atlantic Canada to 2.4% in Quebec. Other than

**Report** High Gas Prices Keeping Drivers Away from BC?

Did you know...
Most Canadians (81%) are willing to donate their organs in case of their death, but 39% have not discussed their wishes with their family *Source: Ipsos-Reid*

BC, the province of Saskatchewan was the only region to record an increase in revenue (+67.2% from $9 to $15 million). Despite the overall decline in revenue, profit margins were up in most provinces, with the Canadian average reaching 4.6% in 2004, up from 1.2% in 2001. *Data Source: Statistics Canada*

- **Attendance at BC movie theatres and drive-ins rebounded slightly in 2004/2005 as the number of paid admissions increased by 1.5% over 2003/2004.** Despite the recent escalation in ticket sales, attendance remains below (-4.1%) 2000/2001 levels. Attendance patterns appear to mirror trends in average ticket prices, with the cost for tickets (-0.4%) dropping slightly between 2003/2004 and 2004/2005, but remaining 17.1% higher than in 2000/2001.

  The boost in theatre visits in British Columbia was above that of Canada as a whole (+0.5%). PEI, Nova Scotia and New Brunswick were the only provinces to report declines in attendance and increases ranged from 0.3% in Ontario to 4.0% in Saskatchewan.

  The higher number of theatre goers in BC caused revenues from regular theatre admission receipts and concessions to rise (+2.9%). Accordingly, the profit margin of movie theatres and drive-ins increased from 6.3% in 2003/04 to 10.6% in 2004/05.

  *Data Source: SC, Cat.# 87F0009XIE*

## Tourism

- **The number of visitors entering Canada via BC borders edged up (-0.2%, *seasonally adjusted*) in May after dipping in April (-0.5%).** Entries from the US, which comprise most of the visits, showed no changes as the increase in the same-day trips (+1.2%) was offset by the decline in overnight travel (-0.9%). Travel to BC from overseas countries climbed 1.1% in May, boosted by a 0.5% increase in the number of European entries, and 0.8% growth in travel from Oceania. However, the number of Asian entries slid (-1.0%) mainly due to significant drops in entries from Taiwan (-10.1%) and Hong Kong (-6.2%). *Data Source: Statistics Canada & BC Stats*

## Crime

- **British Columbia's crime rate declined 4.8% in 2005, dropping to 11,947 non-traffic crimes reported for every 100,000 people living in the province.** While violent crime was slightly higher (+1.3%) than 2004 levels, property crime (-7.5%) and other criminal code offences (-2.3%) decreased significantly.

  Among violent crimes, rates of assault (978 per 100,000 people), sexual assault (80) and robbery (109) were all moderately higher than in 2004; however, incidents of homicide were down. There were 98 homicides reported in BC last year, down substantially from 2004's count of 112, which included the discovery of five more homicide victims as a result of ongoing investigations in Port Coquitlam. BC had the lowest homicide rate (2.7 per 100,000 people) in western Canada last year; however, provincial rates remained to be highest in the West. Among provinces, Saskatchewan had the most homicides per 100,000 population (4.3), followed closely by Manitoba (4.2). PEI boasted the lowest homicide rate last year (0.0) and the national average was 2.0 per 100,000 population.

  BC (11,947 per 100,000 population) had the second highest overall crime rate of Canadian provinces, behind Saskatchewan (14,320). The lowest crime rates were in Ontario (5,780) and Quebec (6,032), where the rates were about half as high as in BC. *Source: SC, Cat.#85-002-XIE, Vol.26, no.4*

## The Nation

- **The Canadian composite leading indicator advanced 0.2% in June, following a 0.4% gain in May.** Growth remained widespread with six of the ten components rising or remaining flat. The retail sector saw the most significant increases with expansion in sales of both furniture & appliances (+1.4%) and other durable goods (+0.9%). Housing (-0.5%) and stock price (-0.6%) indexes were the weakest components, after having led growth in early 2006.

  *Data Source: Statistics Canada*

***Infoline*** *Issue: 06-29*
***July 21, 2006***

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Issue: 06-29
July 21, 2006

Contact: Lillian Hallin (250) 387-0366
Originally published in *Tourism Sector Monitor* Issue 06-05. Annual Subscription $60 +GST

# Are Soaring Gasoline Prices Scaring Away U.S. and Canadian Drivers from B.C.?

US visitor entries to BC by automobile have been trending down since 2001. Several factors have contributed to this decline. Soaring gasoline prices might have pushed up the travelling cost so much that trips by automobile have become less affordable. In addition, the appreciation of the Canadian dollar has taken a toll on the wallets of US visitors. However, the appreciating Canadian dollar has helped the number of Canadians travelling to the US via BC[1] by automobile recover from the negative impacts that resulted from the gasoline price heat.

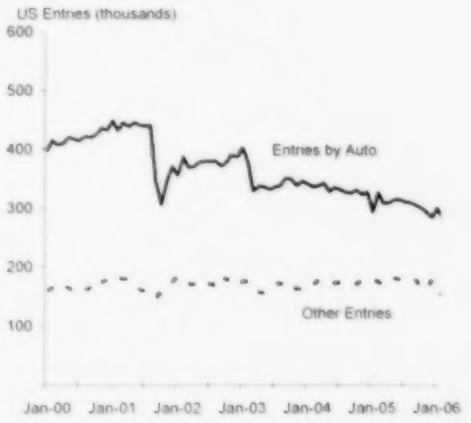
This paper examines the impacts of these factors on visits by Americans and Canadians to BC, using linear regression models. The results show that the appreciating Canadian dollar has had more significant impact than rising gasoline prices on Canadian and American travellers coming to BC. In addition, the number of Canadians driving to the US via BC is more sensitive to the changes in exchange rates and gasoline prices than US visitors.

## Fewer Americans coming to BC by automobile

Since the turn of the century, travel from the US has been in a slump. Between 2000 and 2005, the number of total US entries dropped 17.9%. Events like 9/11, the SARS outbreak, and the subsequent Iraq war seem to have left enduring marks on visitor entries from the US. However, the downward trend predated, and continued two years after, these events. Therefore, it is likely that these incidents were not the only reasons for the drop in US visitor entries.

Most visitors from the US come to BC by automobile. About six in ten Americans drive to the province either taking same-day or overnight trips. The number of US entries by automobile was a major component of the total US entries growth, and appears to be sensitive to the changes in gasoline prices. US entries by automobile dropped 2.5% in 2002, which represents a bigger decline than the total US visits. In the next three years, Americans continued to take significantly fewer trips by cars. Between 2000 and 2005, about 27% fewer Americans drove to BC for visits. Although fewer Americans visited BC by automobile, trips taken by other types of transportation (non-automobile) remained relatively steady (+4.8%) between 2000 and 2005.

**US entries by automobile posted biggest declines among all types of transportation**




*Data Source: Statistics Canada*

[1] The number of Canadians returning to BC from the US by automobile are used to measure travels by Canadians to the US via BC by automobile

It seems that a reasonable explanation for the declining US visits by automobile could be the increased travelling cost to BC as a result of the rising gasoline prices and also the appreciating Canadian currency.

**Regression Analysis**

A linear regression model was used to estimate the relationship between the number of US visitors by automobile entering Canada via BC with the cost of car transportation measured by the consumer price index (CPI) for gasoline, and the monthly average US dollar to Canadian dollar exchange rate to assess the cost of travel expenses. Dummy variables were also included to account for the impacts of the September 11th terrorist attack in 2001, the subsequent Iraq war, and more recently, the disasters of hurricane Katrina and Rita.

The regressions show that the above variables can explain 86% of the variation in the number of US entries by automobile.

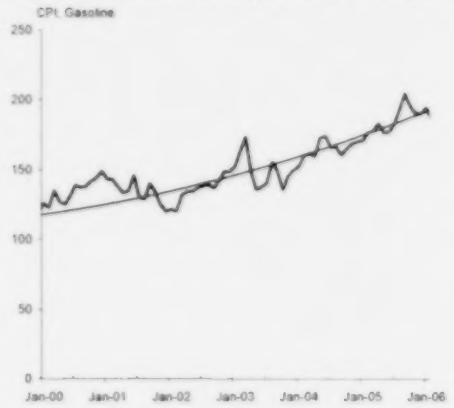
The relationship between the number of Canadian driving to the US via BC, and CPI for gasoline and exchange rate were also examined. The trend variable, representing a time path for the regression model, was not statistically significant for the model, and therefore was not used as an explanatory variable. The linear model was able to explain 75% of variations in Canadian travels to the US by automobile.

**Soaring gasoline prices pushed up travelling cost**

The rise in gasoline prices has become one of the most talked about issues in North America, complete with pictures of gas stations where the current price at $1.19 CDN per litre in Vancouver, and prices in many US cities topping $3 US per gallon. The average retail price for gasoline was about $1 dollar per litre in Victoria in 2005, up nearly 35% compared to 2000. Vancouver recorded even greater growth of almost 38% in retailed gasoline prices during the same period.

Several factors have contributed to the increase in gasoline prices in the past five years. Among them, a drop in US and Canada gasoline inventories and a shortage of refining capacity played significant roles. In addition, the continuing instability in Iraq and the growing crisis over Iran's nuclear ambitions, as well as strong global demand from countries such as China and India, political uncertainty in key oil-producing states such as Nigeria, and the disasters of hurricane Katrina and Rita, have all heated up the gasoline prices and limited the prospects for relief any time soon.

**Gasoline prices increased nearly 35% in BC**




*Data Source: Statistics Canada*

The average person is certainly feeling the squeeze from high gasoline prices as it becomes more expensive to travel by car anywhere in North America. BC, as one of the most favourable tourist destinations, has been affected by such changes.

The regression results show that gasoline price is a factor affecting the number of visitor entries by automobile. One unit increase in the CPI for gasoline would prevent about 250 travellers from driving to BC every month. However, the exchange rate between the US and Canadian dollars is a bigger factor than the gasoline prices.

### Gasoline prices versus US visitor entries

*Data Source: Statistics sCanada*

### Canadian dollar appreciating

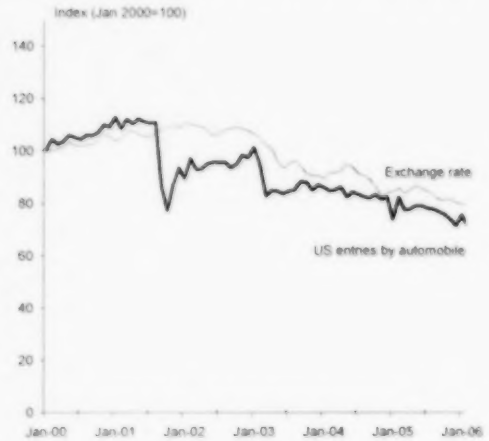
*Data Source: Statistics Canada*

### An appreciating Canadian dollar has made travel more expensive for Americans

The exchange rate between the US and Canadian dollars is another crucial factor affecting the decline in American travellers. The Canadian dollar has been appreciating since late November 2002. The average annual Canadian dollar to US dollar exchange rate (US/per CDN$) dropped 6.9% to 1.21 between 2004 and 2005. The exchange rate continued a downward trend for the first three months in 2005. In other words, for Americans, the US dollar has been depreciating, and transportation to and within British Columbia, as well as accommodation, meals, and other travel expenses in the province have become less of a bargain for visitors from the US.

The regression results showed that if the US dollar depreciates by one cent relative to the loonie, approximately 2,500 fewer US visitors would drive to BC every month. The exchange rate clearly has bigger impacts on US travels than the gasoline prices.

### Exchange rate vs. US entries by automobile




*Data Source: Statistics Canada*

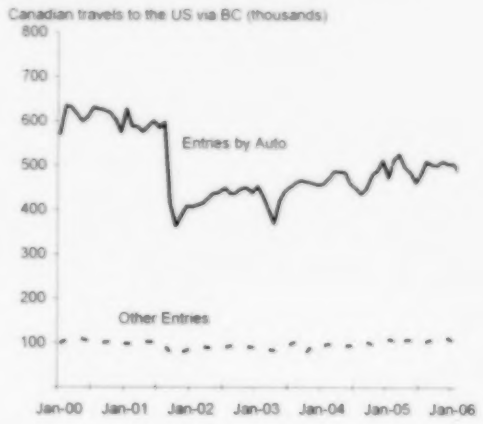
During the period from January 2002 to January 2006 when the value of the US Dollar dropped 20.1% (from 1.45 to 1.16 Cdn$/per US$), the number of same-day US visitors to BC slumped 12.8% and the number of US entries by automobile dropped 15.6%.

## Canadians travelling to the US via BC by automobile

The US has been one of the top places visited by Canadians. A number of US cities close to the border attract same-day visitors from all over Canada, and BC was the entry and crossing point for many Canadians making trips to the US. Canadian travellers have certainly felt the heat from soaring gasoline prices. However, the rising travelling expenses were partly compensated by the appreciating Canadian dollar that makes travelling to the US more affordable. The number of Canadians travelling to the US via BC slowed in 2000 (-2.2%), 2001 (-13.9%) and 2002 (-17.8%) due to the negative impacts of 9/11 and the subsequent economic and political panics, and started to regain the lost ground in 2003 (+1.5%) and continued an upward trend through 2004 and 2006.

The regression estimation indicated that the Canadian travels to the US by automobile and gasoline prices are negatively related. The model estimated that if gasoline price index increased 1 unit, then there would be about 4,000 fewer Canadians driving to the US. However, the exchange rate (US/per CDN$) worked in the opposite direction, and it is more of a factor than the CPI for gasoline. The model estimated that if the US dollar depreciates by one cent relative to the loonie, approximately 9,600 more Canadian travellers driving to the US via BC every month. This is the reason why the number of Canadian travels to the US by automobile did not seem to be affected by the soaring gasoline prices as much as the US entries.

## Canadians returning from US via BC by automobile

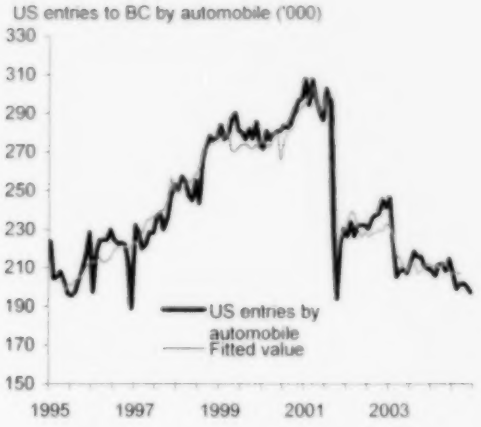



*Data Source: Statistics Canada*

# Models and Charts

## US visitor entries by automobile

Number of US entries by auto = -3802 - 86264 * Sept_11 + 251,400 * exchange rate - 256 * CPI for gasoline + 1146 * trend




| Dependent Variable: US entries by automobile | | | | |
|---|---|---|---|---|
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | -3802 | 30690 | 0 | 1 |
| 9/11 | -86264 | 5611 | -15 | 0 |
| Exchange rate | 251400 | 15709 | 16 | 0 |
| CPI for Gasoline | -256 | 125 | -2 | 0 |
| @TREND | 1146 | 99 | 12 | 0 |
| R-squared | 0.855 | Durbin-Watson stat | | 1.171 |
| Adjusted | 0.851 | Prob(F-statistic) | | 0.000 |

## Canadian visitors driving to the US by automobile

Number of Canadians driving to the US = 2,636,197 - 226,323 * Sept_11 +-960,433 * exchange rate - 4,098 *CPI for gasoline

| Dependent Variable: Canadian travelling to the US by auto | | | | |
|---|---|---|---|---|
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 2636197 | 178458 | 15 | 0 |
| 9/11 | -226323 | 29588 | -8 | 0 |
| Exchange rate | -960433 | 96115 | -10 | 0 |
| CPI for gasoline | -4098 | 568 | -7 | 0 |
| R-squared | 0.755 | Durbin-Watson stat | | 0.314 |
| Adjusted | 0.750 | Prob(F-statistic) | | 0.000 |

# Infoline

July 21, 2006
Issue 06-29

fax transmission information service from **BC STATS**

Email transmission information service from **BC STATS**

also on the Internet at www.bcstats.gov.bc.ca

## BC at a glance . . .

| POPULATION (thousands) | Apr 1/06 | % change on one year ago |
|---|---|---|
| BC | 4,292.2 | 1.3 |
| Canada | 32,501.1 | 1.0 |
| **GDP and INCOME** | | |
| *(BC - at market prices)* | 2005 | % change on one year ago |
| Gross Domestic Product (GDP) *($ millions)* | 168,011 | 6.8 |
| GDP *($ 1997 millions)* | 144,028 | 3.5 |
| GDP *($ 1997 per Capita)* | 33,853 | 2.2 |
| Personal Disposable Income *($ 1997 per Capita)* | 20,693 | 2.5 |
| **TRADE ($ millions, seasonally adjusted)** | | % change on prev. month |
| Manufacturing Shipments - May | 3,769 | 0.9 |
| Merchandise Exports - May | 2,683 | -3.0 |
| Retail Sales - Apr | 4,414 | 1.3 |
| **CONSUMER PRICE INDEX** | % change on one year ago | 12-month avg % change |
| *(all items - Jun 2006)* | | |
| BC | 2.2 | 2.0 |
| Vancouver | 2.1 | 1.8 |
| Victoria | 1.9 | 2.1 |
| Canada | 2.5 | 2.5 |
| **LABOUR FORCE (thousands)** | Jun '06 | % change on prev. month |
| *(seasonally adjusted)* | | |
| Labour Force - BC | 2,289 | -0.6 |
| Employed - BC | 2,192 | -0.1 |
| Unemployed - BC | 97 | -10.2 |
| | | May '06 |
| Unemployment Rate - BC *(percent)* | 4.3 | 4.7 |
| Unemployment Rate - Canada *(percent)* | 6.1 | 6.1 |
| **INTEREST RATES (percent)** | Jul 19/06 | Jul 20/05 |
| Prime Business Rate | 6.00 | 4.25 |
| Conventional Mortgages - 1 year | 6.60 | 4.90 |
| - 5 year | 6.95 | 5.80 |
| **US/CANADA EXCHANGE RATE** | Jul 19/06 | Jul 20/05 |
| *(avg. noon spot rate)* Cdn $ | 1.1353 | 1.2219 |
| US $ *(reciprocal of the closing rate)* | 0.8808 | 0.8184 |
| **AVERAGE WEEKLY WAGE RATE** | Jun '06 | % change on one year ago |
| *(industrial aggregate - dollars)* | | |
| BC | 722.67 | 3.1 |
| Canada | 726.66 | 3.6 |

**SOURCES:**

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

## BC and Regional population projections

Projected population to 2031 for British Columbia and a variety of small regions within B.C. (P.E.O.P.L.E. 31).

www.bcstats.gov.bc.ca/data/pop/pop/popproj.asp#admin

## Regional employment projections

BC Stats, with the financial assistance of the Ministry of Advanced Education, developed the Regional Employment Projection Model (REPM), designed to project industrial and occupational employment in regions of the Province of British Columbia.

www.bcstats.gov.bc.ca/data/lss/repm.asp

## Socio-Economic Profiles & Indices 2005

Updated annually, this body of work provides a coherent and relatively comprehensive measurement of social stressors at sub-provincial areas. Charts, tables and, within the indices, consolidated rankings, make the information broadly accessible.

www.bcstats.gov.bc.ca/data/sep/index.asp

**Released this week by BC STATS**

- Consumer Price Index, June 2006

**Next week**

- BC Business Indicators, July 2006
- Current Statistics, July 2006

BC STATS, Ministry of Labour and Citizens' Services, Box 9410 Stn Prov Govt, Victoria, B.C. V8W 9V1
Tel: (250) 387-0327 Fax: (250) 387-0329 Web: www.bcstats.gov.bc.ca E-mail: BC.Stats@gov.bc.ca